WHITE FLOWER

PAK FAH YEOW INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 239

Annual Report 2005

Contents

Corporate Information

DIRECTORS

Executive Directors	Gan Wee Sean *(Chairman)* Gan Fock Wai, Stephen *(Chief Executive Officer) (R)* Chiu Sin Kuen
Independent Non-executive Directors	Kwan Chiu Yin, Robert *(chairing A, chairing R)* Wong Ying Kay, Ada *(A, R)* Ip Tin Chee, Arnold *(A, R)*
COMPANY SECRETARY	Lo Tai On
QUALIFIED ACCOUNTANT	Tsang Hung Kei
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	11th Floor, The Sun's Group Centre 200 Gloucester Road Wanchai Hong Kong
AUDITORS	Moores Rowland Mazars *Chartered Accountants* *Certified Public Accountants* 34th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
SOLICITORS	Woo, Kwan, Lee & Lo Room 2718, Jardine House 1 Connaught Place Central Hong Kong
PRINCIPAL REGISTRARS	The Bank of Bermuda Limited 6 Front Street Hamilton HM 11 Bermuda
HONG KONG SHARE REGISTRARS	Standard Registrars Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
STOCK CODE	239
HOME PAGE	http://www.whiteflower.com/
EMAIL	pfy@pfy.com.hk
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(A) *Audit Committee member*
(R) *Remuneration Committee member*

Dear fellow shareholders,

General

The Group's total turnover for the year ended 31 December 2005 reached HK$96.2 million, representing an increase of 7.6% over the previous year. Profit attributable to shareholders was HK$33.6 million.

In order to enhance shareholders' value, we have adopted in June 2005 a special dividends policy for the financial years 2005 and 2006. We are proposing a final dividend of HK3 cents per share (2004: HK6 cents per share before subdivision of shares) and a special dividend of HK2 cents per share (2004: HK9 cents per share before subdivision of shares) subject to approval by shareholders at the Annual General Meeting on 27 June 2006. This together with the interim and special dividends of HK$33.0 million already declared, will make a total dividend of HK46.0 million for 2005 (2004: HK$37.7 million).

The shareholders of the Company approved in October 2005 for the subdivision of shares of the Company on a 1-to-2 basis. We believe that such subdivision will improve the liquidity in trading of the shares, thereby enabling the Company to attract more investors and widen the Company's shareholder base.

During the year, we continued focusing on marketing initiatives, brand building, operational efficiency and cost management. In recognition of our brand equity is the most valuable asset for the Group in long run, we have been following a strategy to invest in brand building on a continuous basis. In particular, we have launched a new corporate logo to rejuvenate the brand image by incorporating the "FúZǎi" caring icon to further reinforce the "Hoe Hin" brand. To support the launch, we have rebuilt one of our key outdoor signage in Causeway Bay with the new logo. The expenditure spent is expected to strengthen our brand's market sentiment.

We moved to a new office in July 05 to provide a more spacious meeting area and office for smooth and efficient operation of the Group. As a new start and to explore opportunities and ideas for the licensing use of our new icons, we launched a "FúZǎi" and "BóBó" fashion series with an unprecedented fashion show. All income received from the sales of the series were for donation to Oxfam.

Outlook

Going forward, the Group's strategy will be to continue to develop new markets for our existing products in other provinces in the Mainland China and other geographical regions for future growth. The Group will work closely with its counterparts for various marketing and advertising campaigns, and through different distribution channels to strengthen our brand's market presence.

Though it is not our strategy in short term to invest in development of new products, we are considering repacking some of our existing products into different forms in order to capture different segments of customers.

Further, an upgraded factory operated by our distributor in the Philippines is tentatively scheduled to start renovation in June 2006. Upon completion, we shall be able to have additional capacity to cover sales within the South East Asia.

While we concentrate mainly on our core business in manufacturing and sales of "Hoe Hin" brand of products, we are giving full consideration to other opportunities, with an aim to generate better return from our surplus cash.

We are preparing to celebrate our 80th anniversary next year with a series of events starting this fall. As we move on, as consumers' choice that makes high quality and healthy products, we look forward to continued improvement in shareholder value in the years ahead.

Appreciation

I wish to thank our shareholders, customers and business partners for their support and extend its appreciation to our employees for their good work, dedication and commitment to the Group.

By order of the Board

GAN Wee Sean
Chairman

Hong Kong, 20 April 2006

Summary

For the year ended 31 December 2005, the Group's turnover was up 7.6% to HK$96,208,000 (2004: HK$89,383,000) as increased contributions from sales of Hoe Hin brand of products, partly offset by the decrease in rental income. Income derived from treasury investment was, however, higher, in the light of generally higher market interest rates.

Revaluation surplus of the Group's investment properties was HK$13,530,000 (2004: HK$10,408,000), of which HK$10,565,000 was related to the Group's investment properties in the United Kingdom.

The revaluation of other properties has resulted in a reversal of revaluation deficit made in previous years of HK$2,891,000 (2004: HK$4,830,000 as restated).

Profit for the year ended 31 December 2005 was approximately HK$33,635,000 (2004: HK$33,598,000 as restated).

Manufacturing and sales of Hoe Hin Brand of products

Sales of Hoe Hin brand of products continued to be the major source of revenue for the Group. Sales increased by 10.7% to HK$83,344,000 (2004: HK$75,279,000). The increase in sales from Hong Kong (22.2%) and Mainland China (6.3%) markets have partly balanced off the decrease of 7.6% in sales from other geographical regions.

Despite an increase in marketing and advertising expenses, the Group has managed to keep its other operating expenses for the year at a similar level to that of the same period last year.

Hong Kong remained the major market of our Hoe Hin brand of products which accounts for about 50% of the total revenue. Mainland China accounts for about 20%. Growth in other foreign countries has been static during the year.

The litigation in US in respect of the "White Flower" trade mark infringement has been settled and the Group has recovered most of the associated legal costs.

Segment profit decreased by 8.6% to HK$18,938,000 (2004: HK$20,724,000), largely due to the increase in expenses incurred for launching marketing and advertising campaigns to reinforce our brand both in Hong Kong and Mainland China. The expenditure spent is expected to strengthen our brand's market sentiment and is beginning to show some results.

Property investment

Revenue for this segment decreased by 21.3% to HK$8,910,000 (2004: HK$11,324,000). This change mainly represents the decrease in rental income as a result of disposal of an investment property in the United Kingdom in September 2004. Such decrease in rental income had a direct impact on the segment profit of the Group.

The segment profit was also negatively affected by the decrease in reversal of revaluation deficit of other properties, the revaluation deficit of other properties recognised in this year and there was no gain on disposal of investment properties in this year.

The above impact was partly offset by the increase in the revaluation surplus on the Group's investment properties.

As a result, the segment profit decreased by 26.6% to HK$22,335,000 (2004: HK$30,418,000 as restated).

The Group owns several investment properties in United Kingdom, Singapore, Hong Kong and other regions in the PRC. Rental income received from these properties will continue to provide a steady stream of turnover and profit for the Group.

Treasury investment

The Group continued the prudent management to its fund and continues to maintain a strong liquidity with sufficient cash.

Revenue derived from this segment increased 42.4% to HK$3,952,000 (2004: HK$2,776,000), primarily due to higher interest income arising from increase in interest rate during the year and the improved results on foreign exchange transactions. The increase was partly offset by the net unrealised fair value changes on listed investments from a gain of HK$1,629,000 in 2004 to a loss of HK$798,000 in 2005 as a result of devaluation of foreign currencies in which most of our investments in securities were denominated.

As a result, the segment results improved from a loss of HK$1,024,000 to a profit of HK$1,174,000 in 2005.

Others

This segment represents the sales of other healthcare goods and its revenue and results were not material when comparing to other business segments.

Finance costs

The increase of HK$724,000 (23.2%) to HK$3,839,000 was mainly due to the new mortgage loan borrowed for the acquisition of the Group's new office in Wanchai.

Taxation

There was a decrease in tax provision from HK$5,966,000 (as restated) to HK$2,554,000 for the year, principally due to decrease in taxable operating profit of subsidiaries in Hong Kong and United Kingdom, and in deferred tax provision relating to valuation gains on investment properties.

Financial Resources and Treasury Policies

The Group continues to adhere to prudent treasury policies. Gearing ratio (interest-bearing borrowings divided by total shareholders funds) as at 31 December 2005 was 29.8% (2004: 21.0% as restated). Total bank borrowings of the Group amounted to HK$80,731,000 (2004: HK$62,029,000), mainly denominated in British pound and Hong Kong dollars with floating interest rates. The increase in borrowings was mainly due to the new mortgage loan for the Group's new office.

Current ratio (current assets divided by current liabilities) was 2.1 as at 31 December 2005 (2004: 20.2). The Group holds sufficient cash and marketable securities on hand to meet its liabilities, commitments and working capital demand.

Exchange Rate Exposures

Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars. The foreign exchange risk for bank borrowings was minimal as they were either denominated in Hong Kong dollars or the currency of the underlying assets. Other than United States dollars whose exchange rate remained relatively stable during the year, the Group's foreign exchange exposure relating to investments in overseas securities and bank balances as at 31 December 2005 were approximately HK$48,631,000 million in total, or about 12.7% of the Group's total assets.

The Group may use suitable financial instruments to protect the downside risks associated with the price movement due to the timing of anticipated expenditure.

Pledge of Assets

As at 31 December 2005, certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities with carrying value of approximately HK$240.4 million (2004: HK$222.1 million) were pledged to secure banking facilities granted to the Group to the extent of HK$166.6 million (2004: HK$145.7 million), of which HK$80.7 million (2004: HK$62.0 million) were utilised as at 31 December 2005.

Employees and Remuneration Policies

As at 31 December 2005, the Group had a total of 99 employees. Remuneration packages of employees and directors are reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits including medical allowance and educational subsidies to eligible employees. The Company also has a share option scheme for the benefit of its directors and eligible employees of the Group. No option has been granted under the scheme since its adoption.

Executive Directors

Mr. GAN Wee Sean, aged 59, is the Chairman of the Board and an executive director of the Company. He has been actively involved in the management of the Group since 1971 and was appointed as an executive director of the Company on 8 October 1991. He is a Fellow of the Institute of Chartered Secretaries and Administrators and Fellow of the Chartered Institute of Marketing. From 1981 to 1986, and from 1987 to 1990, he held the position of vice-chairman and chairman respectively of Chung Sing Benevolent Society. He was chairman of the Malaysian Association in Hong Kong from 1987 to 1989, and was a founder member of the Institute of Marketing in Hong Kong. He is also Island Command vice president of the St. John's Ambulance Brigade in Hong Kong. He is the grandson of the founder, Mr. Gan Geok Eng.

Mr. GAN Fock Wai, Stephen, aged 44, is the Chief Executive Officer and an executive director of the Company. He possessed an honorary bachelor degree in food process engineering from Loughborough University of Technology in England. He has been actively involved in the management of the Group since 1986. He is a son of the founder, Mr. Gan Geok Eng. In 2001, he was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He was also a committee member (Practitioners Board) of the Chinese Medicine Council of Hong Kong from 1999 to 2005.

Mr. CHIU Sin Kuen, aged 74, is an executive director of the Company. He worked closely with the founder, Mr. Gan Geok Eng, from the commencement of the Group's operations in Hong Kong in 1950. He is now responsible for the operations of the Group.

Independent Non-executive Directors

Mr. KWAN Chiu Yin, Robert, aged 69, has been appointed as an independent non-executive director of the Company since September 2004. He is a retired Certified Public Accountant, received his Master of Arts Degree at Cambridge University and qualified as a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of Hong Kong Institute of Certified Public Accountants. He was the past Chairman of Deloitte Touche Tohmatsu, Certified Public Accountants and Ocean Park Corporation. He is also an independent non-executive director of Cheung Kong (Holdings) Limited, Melco International Development Limited and Shun Tak Holdings Limited. All of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. WONG Ying Kay, Ada, aged 46, has been appointed as an independent non-executive director of the Company since September 2004. She is a practicing solicitor and China-Appointed Attesting Officer. She is also an independent non-executive director of Hengan International Group Company Limited, a company listed on the Stock Exchange.

Mr. IP Tin Chee, Arnold, aged 43, has been appointed as an independent non-executive director of the Company since September 2004. He is a graduate of Trinity College, Cambridge University, and qualified as a chartered accountant in 1988. Between 1989 and March 1997, he worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Limited thereafter until January 2001, specialising in a range of corporate finance and advisory activities for companies based in Hong Kong and China. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is also an independent non-executive director of Pioneer Global Group Limited, a company listed on the Stock Exchange.

Senior Management

Mr. TSANG Hung Kei, aged 35, is the Chief Financial Officer of the Group responsible for the overall financial management and control. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in May 2005, he worked for an international accounting firm for 8 years and was the financial controller of a listed company in Hong Kong thereafter until April 2005. Mr. Tsang is also an advisor to the board members of a company listed on the Stock Exchange. He obtained a bachelor degree in computer science and accounting from the University of Manchester, England.

Ms. YAU Lai Ching, aged 41, is the Chief Operating Officer of Hoe Hin Pak Fah Yeow Manufactory Limited responsible for the overall management of operation. She has been with the Group since 1992. Prior to joining the Group, she worked for tourism board for 3 years. She possessed a Professional Diploma in Marketing from the Hong Kong Polytechnic (presently known as Hong Kong Polytechnic University).

Ms. POON Yat Hing, Amy, aged 42, has been the Manager of the Sales and Marketing Department of Hoe Hin Pak Fah Yeow Manufactory Limited since November 2001, responsible for the day-to-day operations of the department. She has over 19 years of experience in the marketing & advertising field, worked for some recognised multinational companies throughout the region. Prior to joining the Group, she was the business director of a well-known worldwide marketing and communication firm in Hong Kong. Ms. Poon obtained a bachelor degree, major in psychology, from the University of Toronto, Canada.

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code during the year ended 31 December 2005.

Pursuant to code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in the corporate governance report. Under the transitional arrangement, the said code provision C.2.1 will be implemented for accounting periods commencing on or after 1 July 2005.

THE BOARD

Composition

The Board consists of three executive directors and three independent non-executive directors ("INED(s)"), one of whom has the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on page 6 of this annual report.

Each INED has, pursuant to the rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is for a period of two years until 7 September 2006 subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. Save as disclosed in the biographical details of each director, there is no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy and payment, appointment and retirement of directors, remuneration policy and other major operational and financial matters. Day-to-day operations of the Group are taken up by the Company's management comprising the three executive directors and senior executives.

The Board has established schedule of matters specifically reserved to the Board for its decision and those reserved for the management. The Board reviews this schedule on a periodic basis to ensure that it remains appropriate to the needs of the Company.

The Board held four regular Board meetings at approximately quarterly interval during the year 2005. Additional board meetings were held when necessary. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:–

Attendance of individual directors at Board meetings in 2005	
Number of meetings:	10
Executive director	
Gan Wee Sean *(Chairman)*	9
Gan Fock Wai, Stephen	9
Chiu Sin Kuen	10
INEDs	
Kwan Chiu Yin, Robert	1
Wong Ying Kay, Ada	4
Ip Tin Chee, Arnold	3

The Board has established procedure to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Gan Wee Sean is separate from that of the Chief Executive Officer, Mr. Gan Fock Wai, Stephen. Such division of responsibilities allows a balance of power between the Board of Directors and the management of the Group, and ensures their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

The Chief Executive Officer, assisted by other executive directors and senior executives, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. He ensures smooth operations and development of the Group and maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Audit Committee

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to ensure continuing auditor objectivity and to safeguard independence of the Company's auditors.

Set out below is the summary of work done in year 2005:

- reviewed the financial statements for the year ended 31 December 2004 and for the six months ended 30 June 2005;
- reviewed the auditors' statutory audit plan and the letters of representation; and
- considered and approved the 2005 audit fees and audit work.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2005

Number of meetings:	3
INED	
Kwan Chiu Yin, Robert *(Chairman)*	2
Wong Ying Kay, Ada	3
Ip Tin Chee, Arnold	2

Remuneration Committee

The Board has established a Remuneration Committee, comprising three INEDs and Mr. Gan Fock Wai, Stephen. The role and function of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive directors.

Set out below is the summary of work of the Remuneration Committee done in year 2005:

- reviewed the remuneration policy for 2005/2006; and
- reviewed the remuneration of the executive directors and the INEDs.

The Remuneration Committee held two meetings during 2005. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meetings in 2005	
Number of meetings:	2
Executive Director	
Gan Fock Wai, Stephen	2
INEDs	
Kwan Chiu Yin, Robert *(Chairman)*	–
Wong Ying Kay, Ada	2
Ip Tin Chee, Arnold	2

Other information

The Board of Directors has not established a nomination committee. According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board will take into consideration of the nominee's qualification, ability and potential contributions to the Company. There was no change of the composition of the Board during 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2005.

The Company has also established written guidelines regarding securities transaction on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

AUDITORS' REMUNERATION

During the year, the fees paid to the Company's Auditors, Moores Rowland Mazars amounted to HK$538,000 in respect of audit services. No other fees were paid for non-audit services provided by the Company's Auditors during the year.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the financial statements. The finance department of the Company is taken charge by the qualified accountant of the Company. With the assistance of the financial department, the directors ensure that the financial statements of the Group have been properly prepared in accordance with relevant regulations and applicable accounting principles. The statement of the auditors about their reporting responsibilities on the financial statements is set out in the Auditors' Report on page 18.

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in circular of the Company accompanying notice convening general meeting and has been read out by the Chairman at the general meeting.

At the annual general meeting held on 28 June 2005 and special general meeting held on 27 October 2005, a separate resolution was proposed at the meetings by the Chairman in respect of each separate issue, including re-election of directors. The Chairman of the Board attended the meetings to answer questions of shareholders. The Chairman of the audit committee and remuneration committee was unable to attend the annual general meeting. The Chairman of the Board had arranged for an appointed delegate to answer questions at the annual general meeting.

The directors have pleasure in submitting their report and audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 19.

Interim dividends and special interim dividend (as set out in note 10 to the financial statements) amounting to HK$33,020,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK3 cents and a special final dividend of HK2 cents per share, amounting to a total sum of HK$13,000,000 to the shareholders of the Company whose names appear on the register of members on 27 June 2006.

DONATIONS

During the year, the Group made charitable donations amounting to HK$299,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 58.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are stated at their revalued amounts.

Movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 13 and 14 to the financial statements respectively.

PROPERTIES

Particulars of the property interests of the Group are set out on pages 59 and 60.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Gan Wee Sean *(Chairman)*
Mr. Gan Fock Wai, Stephen *(Chief Executive Officer)*
Mr. Chiu Sin Kuen

Independent non-executive directors

Mr. Kwan Chiu Yin, Robert
Ms. Wong Ying Kay, Ada
Mr. Ip Tin Chee, Arnold

In accordance with the Bye-Laws of the Company, Mr. Gan Wee Sean and Mr. Chiu Sin Kuen shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Kwan Chiu Yin, Robert, Ms. Wong Ying Kay, Ada and Mr. Ip Tin Chee, Arnold have been appointed for the period from 8 September 2004 to 7 September 2006.

The Company has received written confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independence non-executive directors is independent to the Company.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2005, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Long positions in shares of the Company

Name of director	Number of shares held Personal interests	Family interests	Corporate interests	Total	Percentage of issued share capital of the Company
Mr. Gan Wee Sean	22,873,600	1,983,800 *(Note 1)*	54,436,200 *(Note 2)*	79,293,600 *(Note 2)*	30.5%
Mr. Gan Fock Wai, Stephen	8,697,400	–	52,106,600 *(Note 3)*	60,804,000 *(Note 3)*	23.4%

Long positions in non-voting deferred shares of associated corporations

Name of director	Number of shares held Personal interests	Family interests	Corporate interests	Total	Percentage of issued non-voting deferred share capital of the respective corporation
(a) Hoe Hin Pak Fah Yeow Manufactory, Limited (non-voting deferred shares of HK$1,000 each)					
Mr. Gan Wee Sean	8,600	800 *(Note 1)*	–	9,400	42.7%
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%
(b) Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK$1 each)					
Mr. Gan Wee Sean	8,244,445	711,111 *(Note 1)*	–	8,955,556	42.2%
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 1,983,800 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.

2. These 54,436,200 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 79,293,600 shares in aggregate represented approximately 30.5 percent of the issued share capital of the Company.

3. These 52,106,600 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 31 percent. The total number of 60,804,000 shares in aggregate represented approximately 23.4 percent of the issued share capital of the Company.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 34 to the accompanying financial statements, no other contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Mr. Gan Wee Sean and Mr. Gan Fock Wai, Stephen respectively entered into a service agreement with the Company on 28 November 1991 for a term of two years and one month commencing from 1 December 1991. The appointment shall continue thereafter subject to termination by either party giving not less than 6 months' notice in writing to the other party pursuant to the terms of the service agreement. Accordingly, the appointment continued upon completion of the initial term on 31 December 1993.

Saved as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Company has adopted, by passing in a special general meeting convened on 27 June 2002 a share option scheme (the "Scheme") which will remain in force for a period of ten years commencing from 27 June 2002. No option has been granted under the Scheme since its adoption. Details of the Scheme are set out in note 28 to the accompanying financial statements.

At no time during the year was the Company or any of its subsidiaries a party to any arrangements, other than the Scheme, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2005, no persons, other than the directors and companies controlled by them, whose names and interests are set out in the section headed "Directors' interests in securities" above, had notified an interest in the shares and underlying shares capital of the Company that was required to be recorded in the register maintained under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 83.8 percent of the total sales of the Group in 2005 with the largest customer accounting for 52.0 percent.

The five largest suppliers of the Group accounted for 90.5 percent of the total purchases of the Group in 2005 with the largest supplier accounting for 38.4 percent.

To the best of the directors' knowledge, no director of the Company or any of its subsidiaries, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5 percent of the Company's share capital) has any interest in the five largest customers or suppliers referred to above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

During 2002, the former auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland, Chartered Accountants, Certified Public Accountants, were appointed auditors of the Company.

The auditors, Messrs. Moores Rowland merged with Messrs. Mazars on 1 October 2003 and are now practicing under the name of Moores Rowland Mazars, Chartered Accountants, Certified Public Accountants.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland Mazars, Chartered Accountants, Certified Public Accountant, as auditors of the Company.

On behalf of the Board

GAN Wee Sean
Chairman

Hong Kong, 20 April 2006

Moores Rowland Mazars
摩斯倫・馬賽會計師事務所

To the shareholders of
Pak Fah Yeow International Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 April 2006

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Turnover	3	**96,208**	89,383
Other revenue	4	**736**	745
Other net income		**86**	538
Changes in inventories of finished goods		**(1,746)**	1,782
Raw materials and consumables used		**(19,263)**	(15,977)
Staff costs		**(21,034)**	(21,418)
Depreciation and amortisation expenses		**(3,502)**	(2,778)
Gain on disposal of investment properties		**–**	1,213
Revaluation surplus in respect of investment properties		**13,530**	10,408
Reversal of revaluation deficit in respect of properties other than investment properties		**2,891**	4,830
Revaluation deficit in respect of properties other than investment properties		**(1,207)**	–
Net exchange gain (loss)		**2,834**	(1,422)
Net (loss) gain on financial assets at fair value through profit or loss		**(798)**	1,629
Other operating expenses		**(28,707)**	(26,254)
Profit from operations		**40,028**	42,679
Finance costs	5	**(3,839)**	(3,115)
Profit before taxation	5	**36,189**	39,564
Taxation	8	**(2,554)**	(5,966)
Profit for the year, attributable to equity holders of the parent	9	**33,635**	33,598
Dividends	10	**46,020**	37,700
Earnings per share	11		
Basic		**12.9 cents**	12.9 cents

Statement of Changes in Equity

For the year ended 31 December 2005

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Opening balance – total equity		
As previously reported	**312,503**	292,248
– Prior period adjustments arising from the adoption of HKAS 17 *(Note 12)*	**(17,827)**	(5,670)
As restated, before opening balance adjustments	**294,676**	286,578
– Opening balance adjustments arising from the adoption of HKAS 39 *(Note 12)*	**1,037**	–
As restated, after prior period adjustments and opening balance adjustments	**295,713**	286,578
Net (loss) income recognised directly in equity:		
Surplus on revaluation of properties other than investment properties, net of deferred tax		
As previously reported		2,085
– Prior period adjustments arising from the adoption of HKAS 17		(2,085)
Surplus on revaluation of properties other than investment properties, net of deferred tax (2004: as restated)	**5,261**	–
Changes in fair value of available-for-sale financial assets	**280**	–
Exchange difference arising from translation of financial statements of overseas subsidiaries	**(11,436)**	5,700
Net (loss) income recognised directly in equity (2004: as restated)	**(5,895)**	5,700
Profit for the year		
As previously reported		43,670
– Prior period adjustments arising from the adoption of HKAS 17		(10,072)
Profit for the year (2004: as restated)	**33,635**	33,598
Total recognised income and expense for the year, attributable to equity holders of the parent (2004: as restated)	**27,740**	39,298
Interim dividends declared	**(33,020)**	(18,200)
2004/2003 final dividends transferred to dividend payable	**(19,500)**	(13,000)
Closing balance – total equity	**270,933**	294,676

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	**153,302**	132,432
Property, plant and equipment	14	**27,689**	20,449
Prepaid lease payments	15	**40,559**	19,141
Available-for-sale financial assets	16	**2,662**	1,345
		224,212	173,367
Current assets			
Inventories	18	**11,379**	11,835
Trade receivables	19	**19,207**	21,142
Bills receivable		**7,976**	9,330
Deposits, prepayments and other debtors		**4,343**	2,958
Financial assets at fair value through profit or loss	16	**41,310**	35,926
Tax recoverable		**416**	913
Pledged bank deposits	20	**57,480**	85,800
Cash and cash equivalents	20	**15,122**	31,862
		157,233	199,766
Current liabilities			
Short-term bank loans, secured		**832**	2,179
Current portion of long-term bank loans, secured	24	**54,742**	–
Trade payables	21	**3,746**	984
Accrued charges and other creditors		**7,661**	4,057
Tax payable		**453**	2,539
Unclaimed dividends		**7,283**	147
		74,717	9,906
Net current assets		**82,516**	189,860
Total assets less current liabilities		**306,728**	363,227
Non-current liabilities			
Provision for long service payments	22	**2,496**	2,496
Provision for directors' retirement scheme benefits	23	**3,197**	3,197
Long-term bank loans, secured	24	**25,157**	59,850
Deferred taxation	25	**4,945**	3,008
		35,795	68,551
NET ASSETS		**270,933**	294,676

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
CAPITAL AND RESERVES			
Issued capital	26	**13,000**	13,000
Reserves	27	**257,933**	281,676
		270,933	294,676

Approved and authorised for issue by the Board of Directors on 20 April 2006

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

	Notes	2005 HK$'000	2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	**84,340**	84,340
Current assets			
Deposits, prepayments and other debtors		**146**	150
Amounts due from subsidiaries	29	**140,128**	150,817
Cash and cash equivalents	20	**287**	153
		140,561	151,120
Current liabilities			
Accrued charges and other creditors		**518**	403
Amounts due to subsidiaries	29	**104,161**	122,087
Unclaimed dividends		**7,282**	147
		111,961	122,637
Net current assets		**28,600**	28,483
Total assets less current liabilities		**112,940**	112,823
Non-current liabilities			
Provision for directors' retirement scheme benefits	23	**3,197**	3,197
NET ASSETS		**109,743**	109,626
CAPITAL AND RESERVES			
Issued capital	26	**13,000**	13,000
Reserves	27	**96,743**	96,626
		109,743	109,626

Approved and authorised for issue by the Board of Directors on 20 April 2006

GAN Wee Sean
Director

GAN Fock Wai, Stephen
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
OPERATING ACTIVITIES			
Cash generated from operations	30	**27,460**	19,333
Interest received		**3,952**	2,776
Interest paid		**(3,839)**	(3,115)
Income taxes paid		**(3,057)**	(3,578)
Net cash generated from operating activities		**24,516**	15,416
INVESTING ACTIVITIES			
Dividends received from financial assets at fair value through profit or loss		**519**	393
Purchase of financial assets at fair value through profit or loss		**(19,707)**	(20,777)
Purchase of property, plant and equipment		**(12,073)**	(253)
Payment of lease premium for land		**(31,525)**	–
Proceeds from disposal of investment properties		**–**	23,301
Proceeds from disposal of financial assets at fair value through profit or loss		**13,742**	12,000
Net cash (used in) generated from investing activities		**(49,044)**	14,664
FINANCING ACTIVITIES			
Net movement in short-term bank loans		**(1,347)**	2,180
New long-term bank loans raised		**27,400**	–
Repayment of long-term bank loans		**(943)**	–
Dividends paid		**(45,384)**	(31,162)
Net cash used in financing activities		**(20,274)**	(28,982)
Net (decrease) increase in cash and cash equivalents		**(44,802)**	1,098
Cash and cash equivalents at beginning of year		**117,662**	116,435
Effect of foreign exchange rate changes		**(258)**	129
Cash and cash equivalents at end of year	20	**72,602**	117,662

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of Hoe Hin Brand of products, treasury and property investment, and distribution of healthcare and household products.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("FRS") and Hong Kong Accounting Standards ('HKAS") (collectively referred to as "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. In this year, the Group adopted the new / revised HKFRS pertinent to its operations. Major changes in accounting policies following the adoption of these HKFRS are summarised in note 12 to the financial statements. A summary of the principal accounting policies adopted by the Group is set out below.

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, leasehold buildings, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. All inter-company transactions and balances have been eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investment properties

Investment properties are properties which are held under freehold or leasehold to earn rental income and / or for capital appreciation. Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the income statement. Profit or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement upon disposal.

A property interest held under operating lease is classified and accounted for as an investment property when the Group holds it to earn rental income and / or capital appreciation and applies the fair value model as above.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. Fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Property, plant and equipment

Property, plant and equipment, other than leasehold buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold properties held under long and medium-term leases	
– Building	50 years or over the relevant lease term whichever is the shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

The buildings component of owner-occupied leasehold properties are stated at fair value less accumulated depreciation and accumulated impairment losses. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged and thereafter to properties revaluation reserve.

Subsidiaries

A subsidiary is an entity in which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment test and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on the trade date basis. Financial assets and financial liabilities are initially measured at cost, being the fair value of the consideration given and, except for financial assets or financial liabilities at fair value through profit or loss, the directly attributable transaction costs. The derecognition of a financial asset takes place when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to third party. The Group derecognises financial liability when, and only when the liability is extinguished. The Group classifies its financial assets and financial liabilities in the following categories.

Financial assets or financial liabilities at fair value through profit or loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities that are held for trading or derivatives do not qualify for hedge accounting, and those designated at fair value through profit or loss at inception. They are measured at fair value with changes in fair value recognised in the income statement.

The Group's short-term dual currency deposits are in the nature of hybrid financial instruments under HKAS 39. Since the deposits are measured at fair value with changes in fair value recognised in profit or loss, the embedded derivatives are not separately accounted for.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated at this category or not classified in any of the other categories. They are measured at fair value with change in value recognised as a separate component of equity until the investments are sold, collected or otherwise disposed of, or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any accumulated impairment losses.

Bank borrowings

Bank borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Trade receivables and payables

Trade receivables and payables are recognised at cost which approximates their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. For balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Rental income under operating leases is recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Proceeds from disposal of financial assets at fair value through profit or loss are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on equity investments are reported as part of the fair value gain or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impairment loss (Continued)

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Lease which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight-line basis over the term of the relevant lease.

Employee benefits

Defined contribution plans

With effective from 1 December 2000, the Group joined a Mandatory Provident Fund ("MPF") schemed for all employees in Hong Kong. The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Hong Kong's Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement.

Post-employment benefit obligations

The net obligations in respect of long service payment under the Employment Ordinance and directors' retirement scheme benefits are the amounts of future benefit that employees and directors have earned in return for their services in the current and prior periods. The obligations are calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group, or has joint control over the Group; (b) the party is an associate of the Group; (c) the party is a joint venture in which the Group is a venturer; (d) the party is a member of the key management personnel of the Group or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise (1) estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and (2) significant judgements made in the process of applying the Group's accounting policies.

Allowance for inventories

The Group's management reviews the carrying amount of inventories at each balance sheet date, and make allowance for obsolete and slow-moving items identified that are no longer recoverable or suitable for use in production. Management estimates the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of accounting standards and interpretations that are not yet effective. The Group has not early adopted these new HKFRS and the directors anticipate that the adoption of these new HKFRS in the further periods will have no material impact on the results of the Group.

3. SEGMENT INFORMATION

The Group is currently organised into three operating divisions – manufacturing and sale of Hoe Hin Brand of products, property investment and treasury investment.

The Group's operations are located in The Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC"), other regions in the PRC, Southeast Asia, Northern America, United Kingdom and Europe (excluding United Kingdom). The Group's manufacturing division is located in Hong Kong. Property investment and treasury investment divisions are carried out in various locations.

Geographical segments

These geographical locations of customers are the basis on which the Group reports its primary segment information.

	Year ended 31 December 2005							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	48,580	21,133	13,282	4,986	8,043	–	184	96,208
Segment results	17,355	(187)	4,448	2,680	17,650	160	(392)	41,714
Unallocated corporate expenses								(1,686)
Profit from operations								40,028
Finance costs								(3,839)
Profit before taxation								36,189
Taxation								(2,554)
Profit for the year								33,635

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	At 31 December 2005							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Segment assets	151,091	8,277	94,383	4,549	112,260	–	–	370,560
Unallocated corporate assets								10,885
Consolidated total assets								381,445
Liabilities								
Segment liabilities	90,984	–	832	–	2,062	–	–	93,878
Unallocated corporate liabilities								16,634
Consolidated total liabilities								110,512
Other information								
Capital additions	43,598	–	–	–	–	–	–	43,598
Depreciation and amortisation expenses	3,502	–	–	–	–	–	–	3,502
Revaluation surplus (deficit) in respect of investment properties	4,090	(60)	(1,065)	–	10,565	–	–	13,530
Reversal of revaluation deficit in respect of properties other than investment properties	2,891	–	–	–	–	–	–	2,891
Revaluation deficit in respect of properties other than investment properties	(1,207)	–	–	–	–	–	–	(1,207)

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	Year ended 31 December 2004							
	Hong Kong HK$'000 (Restated)	Other regions in the PRC HK$'000	Southeast Asia HK$'000	Northern America HK$'000	United Kingdom HK$'000	Europe (excluding United Kingdom) HK$'000	Others HK$'000	Consolidated HK$'000 (Restated)
Segment revenue	40,160	19,853	13,977	4,455	10,451	–	487	89,383
Segment results	24,372	3,913	5,954	1,645	13,447	685	79	50,095
Unallocated corporate expenses								(7,416)
Profit from operations								42,679
Finance costs								(3,115)
Profit before taxation								39,564
Taxation								(5,966)
Profit for the year								33,598

3. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	At 31 December 2004							
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)							(Restated)
Assets								
Segment assets	100,214	8,292	140,667	4,029	110,974	–	110	364,286
Unallocated corporate assets								8,847
Consolidated total assets								373,133
Liabilities								
Segment liabilities	68,241	5	9	–	2,648	–	–	70,903
Unallocated corporate liabilities								7,554
Consolidated total liabilities								78,457
Other information								
Capital additions	253	–	–	–	–	–	–	253
Depreciation and amortisation expenses	2,778	–	–	–	–	–	–	2,778
Revaluation surplus in respect of investment properties	6,050	550	257	–	3,551	–	–	10,408
Reversal of revaluation deficit in respect of properties other than investment properties	4,830	–	–	–	–	–	–	4,830

3. SEGMENT INFORMATION (Continued)

Business segments

The following table provides an analysis of the Group's revenue and results from operations by business segment:

	Segment revenue		**Segment results**	
	Year ended 31.12.2005	Year ended 31.12.2004	**Year ended 31.12.2005**	Year ended 31.12.2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Manufacturing and sale of Hoe Hin Brand of products	**83,344**	75,279	**18,938**	20,724
Property investment	**8,910**	11,324	**22,335**	30,418
Treasury investment	**3,952**	2,776	**1,174**	(1,024)
Others	**2**	4	**(26)**	(25)
Unallocated corporate expenses	**–**	–	**(2,393)**	(7,414)
	96,208	89,383	**40,028**	42,679

The following is an analysis of the carrying amount of segment assets and capital additions by business segment:

	Carrying amount of segment assets		**Capital additions**	
	At 31.12.2005	At 31.12.2004	**Year ended 31.12.2005**	Year ended 31.12.2004
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Manufacturing and sale of Hoe Hin Brand of products	**119,402**	86,703	**43,598**	253
Property investment	**154,250**	137,429	**–**	–
Treasury investment	**104,789**	147,453	**–**	–
Others	**38**	38	**–**	–
	378,479	371,623	**43,598**	253
Unallocated corporate assets	**2,966**	1,510		
	381,445	373,133		

4. OTHER REVENUE

	2005 HK$'000	2004 HK$'000
Commission income	–	58
Dividend income from listed securities	519	394
Gain on disposal of financial assets at fair value through profit or loss	217	293
	736	745

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

(a) Finance costs

	2005 HK$'000	2004 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	3,222	3,115
Interest on bank loan wholly repayable more than five years	617	–
	3,839	3,115

(b) Other items

	2005 HK$'000	2004 HK$'000
Auditors' remuneration		
Current year	538	518
Underprovision in prior year	40	–
Cost of inventories	31,639	24,905
Contributions to defined contribution plan	484	474
Operating lease charges on land and buildings and advertising spaces	249	516
Provision for long service payments	–	915
Gross rental income from investment properties less outgoings of HK$378,000 (2004: HK$183,000)	(8,531)	(11,141)
Royalty charges	185	194
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	3,007	2,540
Amortisation of lease premium for land	495	238
	3,502	2,778

5. PROFIT BEFORE TAXATION (Continued)

(c) Trademarks

The Group has registered its trademarks in various locations including Hong Kong, other regions in the PRC and South East Asia. The costs of registration of the trademarks have been expensed in the financial statements. The trademarks for Hong Kong, other regions in the PRC, Thailand, Indonesia and the Philippines were valued on an open market value basis on 31 December 2005 by Sallmanns (Far East) Limited, a firm of independent professional qualified valuers, which amounted to HK$63 million.

6. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Directors' fees	Salaries and other benefits	Management bonus	Retirement scheme	Housing and subsistence allowances	Contributions to defined contribution plan	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Gan Wee Sean	30	3,002	189	–	1,002	12	4,235
Gan Fock Wai, Stephen	30	2,007	189	–	545	12	2,783
Chiu Sin Kuen	30	874	95	–	378	–	1,377
Independent non-executive directors							
Kwan Chiu Yin, Robert	40	–	–	–	–	–	40
Wong Ying Kay, Ada	40	–	–	–	–	–	40
Ip Tin Chee, Arnold	40	–	–	–	–	–	40
	210	5,883	473	–	1,925	24	8,515

	Directors' fees	Salaries and other benefits	Management bonus	Retirement scheme	Housing and subsistence allowances	Contributions to defined contribution plan	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Gan Wee Sean	30	2,739	437	267	919	12	4,404
Gan Fock Wai, Stephen	30	1,825	437	–	499	12	2,803
Chiu Sin Kuen	30	797	218	–	343	–	1,388
Independent non-executive directors							
Kwan Chiu Yin, Robert*	20	–	–	–	–	–	20
Wong Ying Kay, Ada*	20	–	–	–	–	–	20
Ip Tin Chee, Arnold*	20	–	–	–	–	–	20
Lee Ka Sze, Carmelo**	23	–	–	–	–	–	23
Yuen Ka Fai**	22	–	–	–	–	–	22
	195	5,361	1,092	267	1,761	24	8,700

* Appointed on 8 September 2004
** Resigned on 8 September 2004

6. DIRECTORS' EMOLUMENTS (Continued)

Management bonus is calculated at 2.5 percent of the consolidated net profit after taxation with a minimum guaranteed amount of HK$100,000, according to the terms specified in the directors' service agreements. The management bonus payable for the year ended 31 December 2005 is derived after deducting an amount of HK$348,000 being overpayment in prior years as a result of the prior period adjustments following the adoption of HKFRS (note 12).

7. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2004: three) are directors whose emoluments are included in the amounts disclosed in note 6 above. The aggregate of the emoluments of the other two (2004: two) individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries	**1,061**	1,004
MPF contributions	**24**	24
	1,085	1,028

The two individuals with the highest emoluments are within the HK$0 – HK$1 million band for the years ended 31 December 2004 and 2005.

During the years ended 31 December 2004 and 2005, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2004 and 2005, no directors waived any of their emoluments.

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) of the estimated assessable profit for the year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
The charge comprises:		
Current tax		
Hong Kong Profits Tax		
Current year	**1,890**	2,560
(Over) Under provision in prior years	**(255)**	173
	1,635	2,733
Overseas tax		
Current year	**846**	1,596
(Over) Under provision in prior years	**(748)**	585
	98	2,181
Deferred taxation *(note 25)*	**821**	1,052
	2,554	5,966

8. TAXATION (Continued)

Reconciliation of effective tax rate

	2005	2004
	%	%
		(Restated)
Applicable tax rate in Hong Kong	**17.5**	17.5
Effect of overseas tax rate differences	**1.7**	1.8
Non-deductible expenses and losses	**1.5**	2.9
Non-taxable revenue and gains	**(10.4)**	(7.7)
Unrecognised tax losses	**0.1**	0.2
Utilisation of previously unrecognised tax losses	**(0.4)**	(0.3)
(Over) Under provision in prior year	**(2.8)**	1.9
Over provision in current year	**0.5**	0.3
Others	**(0.6)**	(1.5)
Effective tax rate for the year	**7.1**	15.1

9. PROFIT FOR THE YEAR

The consolidated profit attributable to equity holders of the parent includes a profit of HK$52,637,000 (2004: HK$20,869,000) dealt with in the financial statements of the Company.

10. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim dividend of HK5 cents per share before subdivision of shares (2004: HK4 cents per share before subdivision of shares) and HK2.7 cents per share after subdivision of shares (2004: HK Nil)	**13,520**	5,200
Special interim dividend of HK15 cents per share before subdivision of shares (2004: HK10 cents per share before subdivision of shares)	**19,500**	13,000
Final dividend of HK3 cents per share after subdivision of shares (2004: HK6 cents per share before subdivision of shares)	**7,800**	7,800
Special final dividend of HK2 cents per share after subdivision of shares (2004: HK9 cents per share before subdivision of shares)	**5,200**	11,700
	46,020	37,700

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the year of HK$33,635,000 (2004 (restated): HK$33,598,000) and the 260,000,000 (2004: 260,000,000 after adjustment for the subdivision of shares in 2005) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as there were no dilutive events during the two years ended 31 December 2004 and 2005.

12. CHANGES IN ACCOUNTING POLICIES

In this year, the Group adopted the following new / revised HKFRS issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2005. The comparatives have been amended in accordance with the relevant requirements. Major effects on the changes in accounting policies are summarised below:

HKAS 17 "Leases"
The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously accounted for as property, plant and equipment and carried at revalued amount. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element at the inception of the lease. The lease premium for land is accounted for as operating lease and stated at cost and amortised over the period of the lease whereas the leasehold building is continuously stated at revalued amount under property, plant and equipment.

HKAS 24 "Related party disclosures"
HKAS 24 has affected the identification of related parties and the level of related-party disclosures. Details of the new definition of related parties are set out in note 2 to the financial statements.

HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39: "Financial instruments: Recognition and measurement"
The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, the Group classified investments into investment securities and other investments. Investment securities were stated at cost less provision for impairment losses that is expected to be other than temporary. Other investments were stated at their fair value. Changes in fair value were recognised in income statement as they arise.

In accordance with the provisions of HKAS 39, financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments.

Upon the adoption of HKAS 32 and HKAS 39, the Group's investment securities and other investments were re-designated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. They have been re-measured in accordance with HKAS 39 as appropriate. There are no adjustments arising from the adoption of HKAS 39 for financial assets at fair value through profit or loss except for the re-designation of dual currency deposits from cash and cash equivalents, but the adjustment related to the available-for-sale financial assets is recognised as an opening balance adjustment in the investment revaluation reserve at the beginning of the year as required by the transitional provisions of HKAS 39. Details of the new accounting policies adopted are set out in note 2 to the financial statements.

FRS 3 "Business combinations"
Excess of the Group's interests in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost was previously known as "negative goodwill". In previous periods, negative goodwill arising from acquisition of subsidiaries was credited to reserve in the year of acquisition and taking the transitional provisions of the predecessor standard without restating the negative goodwill. Following the adoption of FRS 3, negative goodwill is recognised immediately in the income statement. The Group has taken the advantage of the transitional provisions of FRS 3 that the negative goodwill at 1 January 2005 of HK$12,808,000 was transferred to opening accumulated profits during the year.

13. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases	Investment properties in other regions in the PRC under long leases	Freehold investment properties in United Kingdom and Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Valuation				
At 1 January 2004	10,150	1,250	124,419	135,819
Exchange realignment	–	–	8,293	8,293
Revaluation surplus	6,050	550	3,808	10,408
Disposal	–	–	(22,088)	(22,088)
At 31 December 2004	**16,200**	**1,800**	**114,432**	**132,432**
Valuation				
At 1 January 2005	16,200	1,800	114,432	132,432
Transfer from prepaid lease payments and leasehold buildings upon change of use *(note)*	19,500	–	–	19,500
Exchange realignment	–	–	(12,160)	(12,160)
Revaluation surplus (deficit)	4,090	(60)	9,500	13,530
At 31 December 2005	**39,790**	**1,740**	**111,772**	**153,302**

Note: During the year, office premises previously occupied by the Group for own use were leased out to third parties for rental purposes and have been re-designated as investment properties. The amounts transferred comprise prepaid lease payment of HK$15,990,000 and building value of HK$3,510,000.

Investment properties in Hong Kong and other regions in the PRC and Singapore were valued respectively on market value basis on 31 December 2005 by Memfus Wong Surveyors Limited and Dovebid (S) Pte Ltd., independent professional valuers. Investment properties in United Kingdom were valued on open market value basis by Cushman & Wakefield Healey & Baker, independent professional valuers.

At the balance sheet date, the carrying amount of the investment properties of the Group rented out under operating leases was HK$153,302,000 (2004: HK$130,632,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Properties in Hong Kong under long leases	Properties in Hong Kong under medium-term leases	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 31 December 2004						
At beginning of year						
As previously reported	13,200	21,350	4,601	3,975	684	43,810
Effect of adopting HKAS 17	(11,336)	(14,555)	–	–	–	(25,891)
As restated	1,864	6,795	4,601	3,975	684	17,919
Additions	–	–	37	216	–	253
Revaluation	1,326	3,504	–	–	–	4,830
Disposals	–	–	(5)	(8)	–	(13)
Depreciation	(126)	(496)	(742)	(833)	(343)	(2,540)
At balance sheet date	3,064	9,803	3,891	3,350	341	20,449
Reconciliation of carrying amount – year ended 31 December 2005						
At beginning of year						
As previously reported	21,200	30,800	3,891	3,350	341	59,582
Effect of adopting HKAS 17	(18,136)	(20,997)	–	–	–	(39,133)
As restated	3,064	9,803	3,891	3,350	341	20,449
Additions	9,313	–	224	2,536	–	12,073
Revaluation	(574)	2,258	–	–	–	1,684
Transfer to investment properties *(note 13)*	(3,510)	–	–	–	–	(3,510)
Depreciation	(271)	(536)	(763)	(1,096)	(341)	(3,007)
At balance sheet date	**8,022**	**11,525**	**3,352**	**4,790**	**–**	**27,689**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Properties in Hong Kong under long leases HK$'000	Properties in Hong Kong under medium-term leases HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005						
Cost	–	–	12,065	13,595	1,709	27,369
Valuation	3,064	9,803	–	–	–	12,867
Accumulated depreciation	–	–	(8,174)	(10,245)	(1,368)	(19,787)
	3,064	9,803	3,891	3,350	341	20,449
At 31 December 2005						
Cost	–	–	12,289	16,131	1,709	30,129
Valuation	8,022	11,525	–	–	–	19,547
Accumulated depreciation	–	–	(8,937)	(11,341)	(1,709)	(21,987)
	8,022	**11,525**	**3,352**	**4,790**	**–**	**27,689**

The leasehold buildings were independently valued on market value basis on 31 December 2005 by Memfus Wong Surveyors Limited, independent professional qualified valuers.

The carrying amount of the leasehold buildings at 31 December 2005 would have been HK$19,445,000 (2004 (restated): HK$12,772,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

15. PREPAID LEASE PAYMENTS

Prepaid lease payments represent unamortised balance of the costs paid for medium and long term leasehold land in Hong Kong. The cost is amortised over the leasehold period. During the year, prepaid lease payments of HK$15,990,000, being the fair value at the date of transfer, have been transferred to investment properties, as detailed in note 13 to the financial statements.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS / FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Available-for-sale financial assets		Financial assets at fair value through profit or loss		Total	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)
The Group						
Equity securities:						
Listed	–	–	**19,154**	24,419	**19,154**	24,419
Unlisted	**2,662**	1,345	–	–	**2,662**	1,345
	2,662	1,345	**19,154**	24,419	**21,816**	25,764
Debt securities, listed	–	–	**1,519**	7,607	**1,519**	7,607
Dual currency deposits	–	–	**20,637**	3,900	**20,637**	3,900
	2,662	1,345	**41,310**	35,926	**43,972**	37,271
Comprising:						
Listed securities						
Hong Kong	–	–	**6,076**	3,374	**6,076**	3,374
Overseas	–	–	**14,597**	28,652	**14,597**	28,652
Unlisted securities	**2,662**	1,345	–	–	**2,662**	1,345
Dual currency deposits	–	–	**20,637**	3,900	**20,637**	3,900
	2,662	1,345	**41,310**	35,926	**43,972**	37,271
Carrying amount included in:						
Current assets	–	–	**41,310**	35,926	**41,310**	35,926
Non-current assets	**2,662**	1,345	–	–	**2,662**	1,345
	2,662	1,345	**41,310**	35,926	**43,972**	37,271

17. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**84,340**	84,340

17. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	*Indirectly*	
Biotech Marketing Limited	British Virgin Islands/Hong Kong	1 ordinary share of US$1	–	100	Distribution of healthcare and household products
Digi Star Advertising Company Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	–	100	Advertising agency
Hoe Hin Pak Fah Yeow (B. V. I.) Limited	British Virgin Islands/Hong Kong	20,000 ordinary shares of US$1 each	100	–	Investment holding
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares* of HK$1,000 each, and 2 ordinary shares of HK$1,000 each	–	100	Manufacturing and sale of Hoe Hin Brand of products
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100	Inactive
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares* of HK$1 each, and 2 ordinary shares of HK$1 each	–	100	Property and treasury investment
Princely Profits Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Inactive
Princesland International Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US$1	–	100	Property investment

* The non-voting deferred shares carry no right to receive notice of or to attend or vote at any general meeting of these subsidiaries. They also carry very limited rights in respect of dividends and share of surplus assets upon winding up.

18. INVENTORIES

	2005 HK$'000	2004 HK$'000
Finished goods	**1,076**	2,822
Raw materials	**4,136**	6,054
Bottles, caps and packing materials	**6,167**	2,959
	11,379	11,835

The amount of inventories carried at fair value less costs to sell is HK$38,000 (2004: HK$38,000).

19. TRADE RECEIVABLES

The Group allows credit period ranging from 30 days to 240 days to its customers. The aged analysis of trade receivables is as follows:

	2005 HK$'000	2004 HK$'000
Within 30 days	**9,331**	3,534
31 – 60 days	**3,941**	5,404
61 – 90 days	**5,770**	3,507
More than 90 days	**165**	8,697
	19,207	21,142

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005 HK$'000	2004 HK$'000 (Restated)	2005 HK$'000	2004 HK$'000
As stated in the balance sheet				
Bank balances and cash	**15,122**	31,862	**287**	153
Pledged bank deposits *(note 31)*	**57,480**	85,800		
As stated in the consolidated cash flow statement	**72,602**	117,662		

21. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 30 days	1,956	617
31 – 60 days	1,790	71
More than 60 days	–	296
	3,746	984

22. PROVISION FOR LONG SERVICE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
At beginning of year	2,496	1,873
Additional provision	–	648
Amount used	–	(25)
At balance sheet date	2,496	2,496

23. PROVISION FOR DIRECTORS' RETIREMENT SCHEME BENEFITS

	The Group and the Company	
	2005	2004
	HK$'000	*HK$'000*
At beginning of year	3,197	2,930
Additional provision	–	267
At balance sheet date	3,197	3,197

24. LONG-TERM BANK LOANS, SECURED

The bank loans are repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within 1 year	**54,742**	–
After 1 year but within 2 years	**1,384**	–
After 2 years but within 5 years	**4,570**	59,850
After 5 years	**19,203**	–
	25,157	59,850
	79,899	59,850

The maturity of the above borrowings is as follows:

	2005	2004
Wholly repayable within five years	**53,442**	59,850
Wholly repayable more than five years	**26,457**	–
	79,899	59,850

The bank loans of HK$53,442,000 bears interest at 5.54375% per annum, which will be repayable in full in June 2006. The remaining HK$26,457,000 bears interest at the Hong Kong prime rate less 3% per annum, which is repayable in equal monthly instalments with the last instalment falls due in April 2020.

The bank loans are secured by:

(a) a first legal charge over the Group's leasehold buildings and lease premium for land with carrying value of HK$7,920,000 (2004: HK$Nil) and HK$31,264,000 (2004: HK$Nil) respectively; and

(b) The Group's investment properties with an aggregate carrying value of HK$106,884,000 (2004: HK$108,478,000) together with assignment of rental monies derived from the investment properties under charge.

25. DEFERRED TAXATION

The Group

Recognised deferred tax liabilities (assets):

Deferred tax arising from:	Accelerated depreciation allowances *HK$'000*	Revaluation of properties *HK$'000*	Fair value adjustment on financial instruments *HK$'000*	Fair value adjustment on investment properties *HK$'000*	Total *HK$'000*
At 1 January 2004					
– as previously reported	501	386	135	1,776	2,798
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(456)	(386)	–	–	(842)
– as restated	45	–	135	1,776	1,956
Recognised in consolidated income statement					
– as previously reported	1,009	–	(135)	1,059	1,933
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(881)	–	–	–	(881)
– as restated	128	–	(135)	1,059	1,052
Recognised in reserves					
– as previously reported	–	442	–	–	442
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	(442)	–	–	(442)
– as restated *(note 27)*	–	–	–	–	–
At 31 December 2004	173	–	–	2,835	3,008
At 1 January 2005					
– as previously reported	1,510	828	–	2,835	5,173
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	(1,337)	(828)	–	–	(2,165)
– as restated	173	–	–	2,835	3,008
Recognised in consolidated income statement	116	–	–	705	821
Recognised in reserves *(note 27)*	–	1,116	–	–	1,116
At 31 December 2005	**289**	**1,116**	**–**	**3,540**	**4,945**

25. DEFERRED TAXATION (Continued)

Unrecognised deferred tax assets arising from:

	2005	2004
	HK$'000	*HK$'000*
Deductible temporary differences	**4,894**	4,699
Tax losses	**8,923**	9,633
At balance sheet date	**13,817**	**14,332**

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$2,418,000 (2004: HK$2,508,000) have not been recognised due to uncertainty of their recoverability.

The Company

Unrecognised deferred tax assets arising from:

	2005	2004
	HK$'000	*HK$'000*
Deductible temporary differences	**3,196**	3,196
Tax losses	**2,693**	2,575
At balance sheet date	**5,889**	5,771

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. The related deferred tax assets of HK$1,031,000 (2004: HK$1,010,000) have not been recognised due to uncertainty of their recoverability.

26. ISSUED CAPITAL

	2005	2004
	HK$'000	*HK$'000*
Authorised:		
600,000,000 ordinary shares of HK$0.05 each (2004: 300,000,000 ordinary shares of HK$0.1 each)	**30,000**	30,000
Issued and fully paid:		
260,000,000 ordinary shares of HK$0.05 each (2004: 130,000,000 ordinary shares of HK$0.1 each)	**13,000**	13,000

By an ordinary resolution passed at a special general meeting held on 27 October 2005, the issued and unissued shares of HK$0.10 each in the share capital of the Company were subdivided into two shares of HK$0.05 each.

27. RESERVES

	Share premium	Negative goodwill	Revaluation reserve		Exchange reserve	Accumulated profits		Total
			Properties	Investment		Proposed dividends	Undistributed profits	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group								
At 1 January 2004								
– as previously reported	24,925	12,808	1,819	–	43	13,000	226,653	279,248
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	–	(1,819)	–	–	–	(3,851)	(5,670)
– as restated	24,925	12,808	–	–	43	13,000	222,802	273,578
Surplus on revaluation of properties (restated)	–	–	–	–	–	–	–	–
Deferred tax (restated) *(note 25)*	–	–	–	–	–	–	–	–
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	–	5,700	–	–	5,700
Profit for the year (restated)	–	–	–	–	–	–	33,598	33,598
Interim dividends declared	–	–	–	–	–	–	(18,200)	(18,200)
Final dividends proposed	–	–	–	–	–	19,500	(19,500)	–
2003 final dividends transferred to dividends payable	–	–	–	–	–	(13,000)	–	(13,000)
At 31 December 2004	24,925	12,808	–	–	5,743	19,500	218,700	281,676
At 1 January 2005								
– as previously reported	24,925	12,808	3,904	–	5,743	19,500	232,623	299,503
– prior period adjustments arising from the adoption of HKAS 17 *(note 12)*	–	–	(3,904)	–	–	–	(13,923)	(17,827)
– as restated, before opening balance adjustments	24,925	12,808	–	–	5,743	19,500	218,700	281,676
– opening balance adjustments arising from the adoption of HKAS 39 and FRS 3 *(note 12)*	–	(12,808)	–	1,037	–	–	12,808	1,037
– as restated	24,925	–	–	1,037	5,743	19,500	231,508	282,713
Surplus on revaluation of properties	–	–	6,377	–	–	–	–	6,377
Deferred tax *(note 25)*	–	–	(1,116)	–	–	–	–	(1,116)
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	–	(11,436)	–	–	(11,436)
Changes in fair value of available-for-sale financial assets	–	–	–	280	–	–	–	280
Profit for the year	–	–	–	–	–	–	33,635	33,635
Interim dividends declared	–	–	–	–	–	–	(33,020)	(33,020)
Final dividends proposed	–	–	–	–	–	13,000	(13,000)	–
2004 final dividends transferred to dividends payable	–	–	–	–	–	(19,500)	–	(19,500)
At 31 December 2005	**24,925**	**–**	**5,261**	**1,317**	**(5,693)**	**13,000**	**219,123**	**257,933**

27. RESERVES (Continued)

	Share premium	Contributed surplus	Accumulated profits: Proposed dividends	Accumulated profits: Undistributed profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Company					
At 1 January 2004	24,925	67,708	13,000	1,324	106,957
Profit for the year	–	–	–	20,869	20,869
Interim dividends declared	–	–	–	(18,200)	(18,200)
Final dividends proposed	–	–	19,500	(19,500)	–
2003 final dividends transferred to dividend payable	–	–	(13,000)	–	(13,000)
At 31 December 2004	24,925	67,708	19,500	(15,507)	96,626
At 1 January 2005	24,925	67,708	19,500	(15,507)	96,626
Profit for the year	–	–	–	52,637	52,637
Interim dividends declared	–	–	–	(33,020)	(33,020)
Final dividends proposed	–	–	13,000	(13,000)	–
2004 final dividends transferred to dividend payable	–	–	(19,500)	–	(19,500)
At 31 December 2005	**24,925**	**67,708**	**13,000**	**(8,890)**	**96,743**

The share premium represents the excess of the net proceeds from issuance of share capital of the Company over its par value.

The revaluation reserves and exchange reserve are recognised as a result of accounting treatments as detailed in note 2 to the financial statements.

The balance of contributed surplus of the Company represents the difference between the nominal value of the Company's share allotted on 28 November 1991 and the consolidated net assets of the subsidiaries then acquired.

Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

27. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders are as follows:

	2005	2004
	HK$'000	*HK$'000*
Contributed surplus	**67,708**	67,708
Accumulated profits	**4,110**	3,993
	71,818	71,701

28. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 27 June 2002. The purpose of the Scheme is to enable the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group, to encourage the participants to perform their best in achieving the goals of the Group and to allow the participants to enjoy the results of the Group attained through their efforts and contributions. Participants includes (i) any director and employee of each member of the Group; (ii) any discretionary object of a discretionary trust established by any employee or director of each member of the Group; (iii) any executive or employee of any business consultant, business partner, professional and other advisers to each member of the Group; (iv) any substantial shareholder of each members of the Group; (v) any associates of director or substantial shareholder of the Company; and (vi) any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies, as absolutely determined by the Board of Directors.

The directors may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon the duplicate letter comprising acceptance of the option duly signed by the grantee and paying HK$l by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme will be the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 26,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme and as at the date of the financial statements. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall expire not later than 10 years after the date of grant of the option.

The maximum entitlement for anyone participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme in any 12-month period shall not exceed 1 percent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 percent limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 27 June 2002.

No option was granted pursuant to the Scheme since its adoption.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment terms.

30. CASH GENERATED FROM OPERATIONS

	2005 HK$'000	2004 HK$'000 (Restated)
Profit before taxation	**36,189**	39,564
Adjustment arising from change in accounting policies	**–**	(1,776)
Interest income	**(3,952)**	(2,776)
Interest expenses	**3,839**	3,115
Dividend income from financial assets at fair value through profit or loss	**(519)**	(394)
Gain on disposal of investment properties	**–**	(1,213)
Revaluation surplus in respect of investment properties	**(13,530)**	(10,408)
Reversal of revaluation deficit in respect of properties other than investment properties	**(2,891)**	(4,830)
Revaluation deficit in respect of properties other than investment properties	**1,207**	–
Loss on disposal of property, plant and equipment	**–**	13
Gain on disposal of financial assets at fair value through profit or loss	**(217)**	(294)
Net loss (gain) on financial assets at fair value through profit or loss	**798**	(1,629)
Exchange differences	**(5,692)**	2,010
Depreciation and amortisation expenses	**3,502**	2,778
Changes in working capital:		
Inventories	**456**	(902)
Trade receivables	**1,935**	6,212
Bills receivable	**1,354**	(7,090)
Deposits, prepayments and other debtors	**(1,399)**	(719)
Trade payables	**2,762**	(855)
Accrued charges and other creditors	**3,618**	(2,363)
Provision for long service payments	**–**	623
Provision for directors' retirement scheme benefits	**–**	267
Cash generated from operations	**27,460**	19,333

31. PLEDGE OF ASSETS

Certain of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK$166,642,000 (2004: HK$145,650,000) of which HK$80,731,000 (2004: HK$62,029,000) were utilised at the balance sheet date.

The carrying amounts of the Group's leasehold properties, lease premium for land, investment properties, bank deposits and investments in securities pledged are as follows:

	2005	2004
	HK$'000	*HK$'000*
Leasehold buildings	**7,920**	–
Lease premium for land	**31,264**	–
Investment properties	**106,884**	108,478
Bank deposits	**57,480**	85,800
Investments in securities	**36,835**	27,858
	240,383	222,136

Leasehold properties, lease premium for land and investment properties have been pledged to secure bank loans and the remaining bank deposits and investments in securities have been pledged to secure general banking facilities granted to the Group.

32. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the Group leased out all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease terms ranging from less than 1 year to 20 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**7,810**	5,925
In the second to fifth years inclusive	**25,182**	15,689
Over five years	**42,766**	4,377
	75,758	25,991

33. CONTINGENT LIABILITIES

The Group

(a) Litigation in respect of trademark infringement, etc in the United States ("US")

During the year ended 31 December 2003, the Group made a claim against a company in the US and others ("US Parties") for "White Flower" trademark infringement, trade dress infringement and trademark dilution. However, a counterclaim was filed against the Group by the same company for suffering the loss of their reputation as a result of the defamatory information provided by the Group to a magazine in Hong Kong.

On 8 June 2005, the Group and the US Parties agreed to settle the claims whereby the US Parties paid a sum of HK$2,400,000 to the Group in late July 2005.

33. CONTINGENT LIABILITIES (Continued)

The Group (Continued)

(b) Litigation in respect of the exterior wall of Hennessy Apartments

In November 2005, the Group received a letter from the incorporated owners of Hennessy Apartments (the "Incorporated Owners") demanding the removal of a neon-light sign ("Signboard") from the exterior wall of the building, which was declined by the Group. The Incorporated Owners initiated legal proceedings against the Group in late March 2006 mainly demanding for the removal of the Signboard, reinstatement of the external wall of the building and damages for trespassing to be assessed on the basis of rental income of the use of the external wall of the building.

Whilst the outcome is uncertain, the directors, having considered the opinion of the lawyers, are of the opinion that there would not be any significant adverse financial impact on the Group. No provision in respect of the claim has been made in the financial statements for the year ended 31 December 2005.

The Company

At the balance sheet date, the Company had contingent liabilities in respect of guarantee of bank loans and general banking facilities granted to its subsidiaries amounting to HK$79,899,000 (2004: HK$59,850,000).

34. RELATED PARTY TRANSACTIONS

In addition to the transactions / information disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with related parties.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Compensation paid to key management personnel, excluding directors:		
– Salaries and other benefits	**1,406**	1,305
– Contributions to defined contribution plan	**32**	31
Royalty paid to a director *(Note)*	**185**	194

Note:

Mr. Gan Wee Sean was interested as licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a license to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2005 in consideration of an annual royalty payment equivalent to 10 percent of the sales in Malaysia and Singapore. The agreement has been renewed for a further term of one year on similar terms.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's principal financial instruments comprise bank loans, investments in securities, bonds, cash and short-term deposits. The main purpose of these financial instruments is to raise or maintain financial resources for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

Exposure to interest rate risk, currency risk, credit risk and liquidity risk arise in the normal course of the Group's business. The board of directors generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely and effective manner. The policies on how to monitor and control these risks are set out below.

Interest rate risk
The Group's interest-rate risk arises from debt borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk whilst borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

Currency risk
Most of the Group's business transactions were conducted in Hong Kong dollars and United States dollars, in which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. The currency risk for bank borrowings was minimal as they were either denominated in Hong Kong dollars or the currency of the underlying assets. Other than United States dollars, the Group is exposed to foreign exchange fluctuations for certain investments in overseas securities and bank balances. The Group closely monitors the related exchange rates and, whenever appropriate, takes necessary action to reduce exchange risk.

Credit risk
The Group's credit risk is primarily attributable to trade and other receivables. Management of the Group has a credit limit policy in place and exposures to credit risk are monitored on an ongoing basis. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions is taken to recover overdue debts.

Liquidity risk
The management of the Group closely monitors the current and expected liquidity requirements to ensure sufficient reserves of cash for the Group's business operation in short and longer term.

36. COMPARATIVE FIGURES

As further explained in note 12 to the financial statements, due to the adoption of HKFRS during the year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior period adjustments and opening balance adjustments have been made and certain comparative amounts have been restated.

For the year ended 31 December 2005

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Turnover	79,035	86,965	83,773	89,383	**96,208**
Profit before taxation	8,323	27,157	34,602	39,564	**36,189**
Taxation	(1,663)	(4,006)	(3,408)	(5,966)	**(2,554)**
Profit after taxation	6,660	23,151	31,194	33,598	**33,635**
Dividends	5,200	12,740	19,500	37,700	**46,020**
Earnings per share *(note)*	2.6 cents	8.9 cents	12.0 cents	12.9 cents	**12.9 cents**

Note: As a result of the subdivision of shares of the Company in 2005 as detailed in note 26 to the financial statements, figures for the years from 2001 to 2004 have been adjusted for comparative purposes.

CONSOLIDATED BALANCE SHEET

	At 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Non-current assets	137,683	154,011	174,462	173,367	**224,212**
Net current assets	135,513	104,772	173,582	189,860	**82,516**
Non-current liabilities	(49,028)	(4,217)	(59,689)	(68,551)	**(35,795)**
	224,168	254,566	288,355	294,676	**270,933**
Share capital	13,000	13,000	13,000	13,000	**13,000**
Reserves	211,168	241,566	275,355	281,676	**257,933**
	224,168	254,566	288,355	294,676	**270,933**

INVESTMENT PROPERTIES

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	12th Floor Grand Building, Nos. 15-18, Connaught Road Central, Hong Kong	Two leases for 999 years respectively from 6 December 1899 and 24 December 1898	2,905 sq.ft.	Commercial	100
2.	7th Floor Lippo Leighton Tower No. 103 Leighton Road Causeway Bay Hong Kong	Lease for 982 years from 25 June 1860	3,880 sq.ft.	Commercial	100
3.	13th Floor in Block B North Point Mansion (Part) Nos. 692-702 King's Road and Nos. 27-29 Healthy Street East, Hong Kong	Lease for 75 years from 20 March 1933, renewable for another 75 years	905 sq.ft.	Residential	100
4.	Flat A on 4th Floor Hennessy Apartments No. 48 Percival Street Hong Kong	Lease for 982 years from 25 June 1860	715 sq.ft.	Residential	100
5.	No. 30 Kallang Pudding Road No. 03-07 Valiant Industrial Building Singapore, 349312	Freehold	323 sq.m.	Industrial	100
6.	Princess Court 47-63 Queensway London, W2, United Kingdom	Freehold	7,241 sq.ft.	Commercial/ Residential	100
7.	Unit D on 10th Floor of Block 1 Palace Court, Pacific Plaza 1068 Huai Hai Zhong Road Xu Hui District, Shanghai The People's Republic of China	Lease from 2 November 1994 to 19 October 2063	106 sq.m.	Residential	100

Summary of Properties Owned by the Group

At 31 December 2005

OTHER PROPERTIES

	Location	Tenure	Approximate floor area	Type	Group's interest (%)
1.	Roof of No. 84 Hing Fat Street Hong Kong	Lease for 75 years from 15 May 1916, renewable for another 75 years	3,080 sq.ft.	Commercial	100
2.	11th Floor The Sun's Group Centre 200 Gloucester Road Wanchai Hong Kong	Lease for 99 years from 26 December 1928, renewable for another 99 years	7,388 sq.ft.	Commercial	100
3.	Units 1 to 13 on 2nd Floor Paramount Building No. 12 Ka Yip Street Hong Kong	Lease from 29 May 1987 to 30 June 2047	31,444 sq.ft.	Industrial	100
4.	Car parking Space Nos. 13 and 14 on 1st Floor, Paramount Building No. 12 Ka Yip Street Hong Kong	Lease from 29 May 1987 to 30 June 2047	133 sq.ft.	Carpark	100